

## Federal Standards Will Be Talk Of NAIC

BY JIM CONNOLLY--NU Online News Service, Feb. 8, 3:43 p.m. EST

Discussion of model legislation for agent broker licensing, how to address insurers' subprime investments and creation of a mechanism for states to enact federal standards will be on the agenda when insurance regulators meet tomorrow.

The topics are due to be addressed by the National Association of Insurance Commissioners and "will continue the strategic planning initiative that we began last year," said Sandy Praeger, Kansas insurance commissioner and new NAIC president.

She also said that new work will include developing a model for federal standards and how to handle the impact of deteriorating subprime mortgage values on issuers.

Ms. Praeger noted that New York Insurance Superintendent Eric Dinallo will be testifying this coming week before Congress. "Based on what has happened, there will probably need to be some changes [to NAIC models]," she added.

And, in terms of developing model legislation that would facilitate federal standards, Ms. Praeger noted that the NAIC has taken similar action in developing standards for National Association of Registered Agents and Brokers and Med Supp policies.

The NAIC can develop models that Congress can then enact, she explained. When asked whether efforts to create an optional federal charter system for insurers is prompting the project, Ms. Praeger responded: "Whether or not there is an OFC in the offing, some of the concerns that are driving an OFC argument are very legitimate. Clearly, uniformity is absolutely essential and all states need to be on board—companies need consistent laws on the books."

The commissioners' meeting is an annual event in which the work of the past year is incorporated into the agenda of the newly elected NAIC president and NAIC officers.

Ms. Praeger said that having over 40 commissioners in attendance, particularly when legislatures are in session, shows their commitment to processes at the NAIC. She added that the meeting is also a way for new commissioners to become more familiar with the NAIC's work. Since January 2007, there have been 24 new insurance commissioners taking office nationwide, she said.

Efforts to make producer licensing more uniform follow a state-by-state review which examined 36 categories of producer licensing uniformity, such as new education requirements, which require a total of 24 hours of continuing education every two years.

Initially, it was thought that only a few categories would need to be made more uniform, but the NAIC team determined that there were more than was initially thought, she said. However, some are simply a matter of changing old statutory requirements, according to Ms. Praeger.

"We want to definitely get this finished so that agents can be confident that there are no barriers now to state reciprocity. Hopefully, in another year, we'll be there," Ms. Praeger added.

Another market conduct project which will receive regulatory attention is taking an NAIC market conduct data project in which companies contribute market conduct data and making it more reliable so states can trust other states' data when they use it, she said.

As a system of principles-based reserving moves toward completion, Ms. Praeger said the NAIC will look at setting up teams to provide technical analysis and assistance in creating the new system in states that may not have such expertise. The teams would borrow expertise from states with more resources and, conceivably, the structure will use a centralized approach, she explained.

Ms. Praeger said principles-based reserving is "very important as we move into a more global financial services economy."

The Compact Commission established by the NAIC for the life insurance industry as a single point of filing currently uses a similar system where states loan expertise.

Ms. Praeger said she believes that by the end of this year it will be possible for 35-40 states to become part of the commission. She noted that New York is currently working on becoming a member state.

Another NAIC effort that will continue from 2007 is the use of states as laboratories to create access to health insurance, Ms. Praeger said.

And, she added, state insurance regulators want to work on projects such as these along with state insurance legislators.

Ms. Praeger said that she has recently been in touch with State Rep. Brian Kennedy, D-Hopkinton, R.I., the president of the National Conference of Insurance Legislators (NCOIL), Troy, N.Y., to discuss how the two organizations can work together.

All the NAIC executive officers, she said, are scheduled to attend the NCOIL meeting Feb. 28-March 2 in Washington.

The process of building better ties with NCOIL started last year with the launch of a legislative liaison session during the NAIC quarterly meetings and will continue in 2008, she said.

On NAIC administrative matters, Ms. Praeger said the current policy of opening some NAIC sessions and closing others will probably be left in place, as will the fundamentals of an NAIC model law policy that was put in place last year.

The change seeks to channel efforts to models that commissioners pledge support to get enacted in their states. "The concerns have been more a matter of semantics than a concern about changing the policy," Ms. Praeger said.